



LEAH VUKMIR

STATE REPRESENTATIVE

Testimony on AB 110

Presented to the Assembly Committee on Labor and Industry

May 30th, 2007

Mr. Chairman and members of the committee, thank you for providing me with this opportunity to present my testimony on Assembly Bill 110.

In simple terms, this legislation amends the Municipal Employee Relations Act to allow local units of government and school districts to unilaterally change health insurance coverage for represented employees. This change would be excluded from collective bargaining.

In order to qualify for this exclusion, the local unit of government must provide substantially similar coverage as the plan already offered to those employees. The local government may also unilaterally offer to enroll the employees in a plan provided to local governments by the Group Insurance Board or in a plan that is substantially similar to the plan offered by the board.

This bill provides a "check-and-balance" system that requires the Office of the Commissioner of Insurance to set the standards used to determine whether any health insurance plan coverage is substantially similar.

This determination is very important – local units of government, including school districts may not unilaterally reduce the quality of the coverage being offered – the coverage must be substantially similar in order to be excluded from collective bargaining. This determination would be based on specific provisions, not arbitrary standards.

Right now, local units of government and school districts have a very limited ability to seek or attempt to implement competitive bids for insurance because every aspect of the health insurance coverage is subject to binding arbitration. Even very small changes in plan administration, co-payments or plan coverage definitions frequently end up stalled in the bargaining process.

In the case of school districts, more than 70% of them (could still be as much as 80%) are using the Wisconsin Education Association Insurance Company (WEAIC) or WEA insurance. WEA occasionally will refuse to provide claims experience to other insurance companies – thus making it very difficult for these companies to offer bids.

STATE CAPITOL

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I have heard from a few unions who believe that this legislation is aimed at reducing their leverage at the bargaining table or to cut benefits for public employees and teachers. That claim is simply not true. The protections that are put in place in this bill preserve the quality of the insurance and bring two independent-parties into the process – the Wisconsin Department of Employee Trust Funds – Group Insurance Board, and the Commissioner of Insurance. I believe we provide protection for the represented employees, the employer and the taxpayers.

I have also been told by a few people, and you are likely to hear the argument today, that the QEO is to blame for disproportionately high health insurance costs among teachers. I am not completely convinced that the QEO is entirely to blame, although I would agree that the current arbitration system makes it more likely that a school district will pay more for health insurance than they need to which causes the wage increases for teachers to be far lower than they could be.

Many who support this legislation have told me that WEA insurance is responsible for the high cost and non-competitive nature of health insurance for teachers. Perhaps – but I am not ready to lay the blame at the feet of the unions. I think such arguments miss the point entirely and do not advance the public policy implications that we should address.

According to an evaluation by the Wisconsin Taxpayers Alliance, in the 2003-2004 school year, Wisconsin spent (\$2,404) per pupil on benefits, **the third-highest amount in the nation** - 57.0% above the U.S. average. In that same school year, teacher pay ranked about 22nd in the nation (\$5,121 per pupil).

That is at the core of the problem – the cost of health insurance is high – we all recognize that costs are on the rise – but Wisconsin's Teachers are well above the national average for benefit costs.

Now, I want to be very clear – this problem involves more than just teachers, and I don't want to single them out. Municipal governments are paying about the same amount for health insurance. In my own community, Wauwatosa, family coverage for municipal employees is about \$23,000, WEA is just below that at \$21,000. The private sector in Wisconsin averages about \$15,000 on the low side to \$18,000 on the high-side for family coverage. That is a significant difference. By comparison, the state of Wisconsin pays about \$15,500 for family coverage.

In the case of Wauwatosa's municipal employees, the city is self-insured – they designed their own HMO plan many years ago and haven't bothered to update or change their coverage parameters choosing instead to simply pay the increased premiums. I would contend that for most governmental entities, the status quo is the path of choice. It is easier to keep the current coverage in place, regardless of cost of efficiency because going through arbitration detail by detail, regardless of the quality of coverage requires insurance expertise and can take months, or in some cases – years. There was even an example – again a group of schools – that accepted a

bid for insurance, which even included a guarantee to match or exceed the previous coverage where the union negotiators repeatedly rejected the offer because it lowered the cost of insurance. After a year of mediation the arbitrator awarded the ability to change insurers to the district – this process should not be that difficult.

I want to be sure that represented employees obtain high-quality health insurance, but I know that binding arbitration has a perverse market impact that divides the most essential consideration. Cost is not a measure of quality when it comes to health insurance.

I assure you that a five or ten year old HMO or PPO, left in place, will provide an employee with a lower quality of coverage and options than an insurance package that is reviewed annually and competitively bid by competent experts.

Again – that is the problem – the system currently favors the status quo and the focus is on cost, not the quality of coverage.

Further, the current system measures a union victory on the total cost of the compensation package. A negotiator that maintains a \$22,000 family health insurance benefit is considered victorious even if that means the union turned down a better, more comprehensive plan for \$15,000 to \$18,000.

Public employee health insurance is commonly referred to as “Cadillac” insurance because of the level of coverage provided. Fair enough – typically, public employees do have very good plans – but must the taxpayers pay Rolls-Royce prices for that Cadillac coverage? I don’t think so.

If the taxpayers are going to provide Cadillac coverage, than they should only have to pay the Cadillac prices.

I am not here to lower the quality level of coverage, I am here to lower the cost. Insurance costs in the public sector are out of line with the quality of the plans that are offered. This legislation has one single goal – to bring cost in line with the quality of coverage. Allowing local government and school districts to put together comprehensive, competitive, high quality plans that meet the needs of their employees and the taxpayers would be a win for everyone.

My legislation is silent about the use of the cost savings, and it is for good reason. If a municipal government or school district wishes to increase salaries or provide a one-time bonus for the conversion with the savings, then go for it. If they wish to reduce the tax burden – then all the better.

In fact, in some of the confusion over this discussion of cost vs. value – we laid out this simple example: If a school district offers an insurance package that provides substantially similar – or even better coverage and benefits, then the cost should not be the factor – the value of the

coverage should be the primary consideration. That was fine in theory, but subsequent to drafting we discovered that because of the provisions of the QEO we would need to explicitly exclude cost savings from the formula. Rep. Kramer and I have an amendment drafted that will address this and I hope this committee will consider it.

The cost of health insurance for public employees is having a direct impact not only on the taxpayers, but also on private sector health insurance costs. If the public sector is content paying premiums in the \$20,000 range, then it puts an upward pressure on private sector premiums.

I am sure that many of the people who are here to testify today can share with you their experiences and frustrations – I would just like to repeat that it is my belief that the status quo provides little benefit for the employees or the taxpayers and I hope you will give this legislation your serious consideration.

Mr. Chairman and members, thank you again for the opportunity to offer my testimony.



State of Wisconsin Department of Public Instruction

Elizabeth Burmaster, State Superintendent

May 30, 2007

The Honorable Mark Honadel
Chair, Assembly Committee on Labor and Industry
State Capitol
PO Box 8952
Madison, WI 53708

Dear Representative Honadel:

I am writing to express my concern with 2007 Assembly Bill 110, relating to collective bargaining over health care coverage for municipal employees and allowing municipal employers to change health care coverage plan providers.

AB 110 inserts the state into the collective bargaining process between local employers and employees. I believe the bill directly impacts previously negotiated language that was agreed to by local boards and associations. The actions resulting from the enactment of AB 110 infringes on local control. Bargaining on these issues belongs more appropriately at the local level.

Sincerely,

Elizabeth Burmaster
State Superintendent

cc: Assembly Committee on Labor and Industry
Representative Leah Vukmir

EB:jk

WISCONSIN EDUCATION ASSOCIATION COUNCIL

Affiliated with the National Education Association

*Every kid
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Great School!*

To: Assembly Committee on Labor and Industry

From: Diane Craney, WEAC Government Relations Specialist

Date: 5/30/2007

Re: AB 110, relating to the right to bargain health care benefits

OPPOSE AB 110

Under current law, all matters relating to wages, hours, and conditions of employment are subject to collective bargaining. Assembly Bill 110 prohibits bargaining over the selection of a health care coverage plan if the employer offers to enroll its employees in the local government employers' state plan. It also provides that any employer may unilaterally change its health care coverage provider if the benefits remain substantially the same.

WEAC OPPOSES AB 110 FOR THESE REASONS:

This is an attack on school district employees and their hard-earned, bargained benefits. Educators deserve fair compensation. There is a perception on the part of some that school district employees do not pay for their health insurance. The truth is that teachers have sacrificed salary increases in exchange for health insurance for their families.

Under the QEO, which unfairly singles out teachers, changes in health insurance costs are balanced with salary adjustments. If benefit costs rise, salaries fall. Costs for total compensation, in other words, do not go above the 3.8% cap. As a result, teachers have carried the cost of increased health care through salary adjustments ranging from small raises to salary rollbacks. Because of this dynamic, teachers have a real incentive to support plans that provide better benefits at lower costs. Teachers would be harming themselves if they chose expensive plans, unless those plans actually provided greater value for the dollar.

Moreover, school districts and other local public employee groups are already allowed to be a part of the state's local public employers' plan. Such plans can be adopted through bargaining at the local level. To allow school districts to unilaterally move employees into the state plan, or a substantially similar plan, would be a further assault on the collective bargaining process that is intended to protect Wisconsin workers.

Stan Johnson, President
Dan Burkhalter, Executive Director



Rapidly rising health care costs have created a health care crisis for everyone. The solution does not lie in attacking the bargaining rights of teachers. In fact, through collective bargaining WEAC members have enacted many cost-saving modifications to their health insurance plans in order to lower costs.

- 91% of educators have moved to 3-tiered drug cards, up from 43% just two years ago. Three-tiered drug cards increase out-of-pocket expenditures for high-cost drugs while steering participants to lower cost generic drugs.
- 67% of educators have moved to a Point of Service plan that provides the most cost effective coverage within a given service area.
- In just the last 4 years, 47% of educators adopted the new Partners in Health "Wellness" program to help reduce preventable illnesses, which in turn lowers costs for care and treatment.

Finally, WEAC and the WEA Trust are national leaders in promoting health care reform. The New Wisconsin Idea is an innovative four-step plan for tackling the state's health care cost crisis. These four reforms together would fundamentally alter the state's health care delivery and financing systems, thereby reducing costs and improving the quality of health care in Wisconsin. If enacted, these reforms would make more affordable health care available to every resident of the state. The New Wisconsin Idea includes:

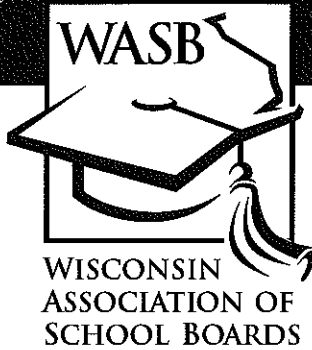
- Creating a large purchasing pool to buy prescription drugs based on effectiveness.
- Developing a centralized clearinghouse for paying claims and collecting medical data.
- Establishing transparency in health care costs; that is, creating a system where a patient knows how much a medical service costs and what the health plan will reimburse.
- Making health care accessible and affordable by having the state provide preventive and catastrophic care to all through centers of excellence.

Wisconsin's goal should be good health care for everyone. AB110 does not address the true issue of rising health care costs. WEAC encourages legislators to deal with the underlying health care costs, rather than attempt to take away collective bargaining rights. Good health care, like great schools, benefits everyone.

For More Information:

If you have any comments or questions regarding this statement, please contact Diane Craney, WEAC Government Relations Specialist, by phone at 800-362-8034, ext 256 or by e-mail at craneyd@weac.org.

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JOHN H. ASHLEY, EXECUTIVE DIRECTOR

TO: Assembly Committee on Labor and Industry
FROM: Sheri Krause, Legislative Services Coordinator
DATE: May 30, 2007
RE: Assembly Bill 110, relating to collective bargaining over health care coverage for municipal employees and allowing municipal employers to change health care coverage plan providers.

The Wisconsin Association of School Boards (WASB) supports Assembly Bill 110, which would allow municipal employers, including school boards, to provide their employees with a health insurance coverage plan under the state's Group Insurance Board, or a plan deemed substantially similar by the Commissioner of Insurance, without negotiating.

In addition, AB 110 would allow municipal employers to change their employees' health insurance coverage plan provider if the benefits remain substantially the same and if the actual health providers stay the same or cost savings result from the change.

School boards are extremely concerned about escalating health insurance costs. The increasing costs are distorting the labor market, negatively impacting student achievement and contributing to the erosion of community support for public education.

In May 2004, WASB staff compared what districts were actually paying for health insurance versus what they could be paying if they were in the state plan. Using some conservative estimates and assumptions, the WASB staff concluded that about **50 percent of school districts would benefit by entering the state plan, saving approximately \$64.6 million for teacher salaries, textbooks, computers and items that can directly benefit student learning.**

More recently, an intern from UW's LaFollette Institute examined the potential costs savings for Professor Allan Odden's school finance adequacy study task force. The intern compared school district health insurance costs to the lowest cost state pay plan in their counties for fiscal year 2006-07. The WASB staff hasn't had an opportunity to review her methodology, but the intern came up with a **total cost savings of more than \$117 million annually.**

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Impacting Labor Market

Based on the 2004 U.S. Census Bureau Data, Wisconsin is 3rd highest on benefit costs per pupil, 22nd highest on salary amounts per pupil.

In 1991-92, Wisconsin ranked 14th highest in the nation on average teacher salary. By 2001-02, Wisconsin ranked 24th and by 2003-04, Wisconsin ranked 27th in the nation.

In 2005, the average private sector family health insurance premium was \$1,054 per month according to data from the Wisconsin Hospitals Association. The average school district family health insurance premium was \$1,230 per month. As a result, school districts paid \$2,112 more per year in 2005 than the average private family health insurance premium in the state.

In 1985-86, school districts spent 76 percent of compensation on salaries, 24 percent on benefits. In 2005-06, 65 percent was spent on salaries, 35 percent on benefits. If the percentage spent on benefits had remained at the 1985-86 levels, the average teacher salary today would be \$54,379 – an increase of \$8,076 – which would result in increased Wisconsin Retirement System Pension and Social Security payments.

The rising costs of health insurance are depressing starting salaries for teachers and support staff. In fact, using historical trends, health insurance costs are expected to exceed base salaries in school districts by 2015-16.

Impacting Student Achievement

Escalating health insurance costs are affecting student achievement, program offerings and facilities. As a result of high insurance costs, school boards are:

- Reducing salaries or salary increases;
- Eliminating positions, which result in increased class sizes, reduced planning time, and/or increased teaching loads;
- Creating positions that do not qualify for health insurance benefits; and
- Utilizing outside vendors.

School boards are addressing health insurance costs – in negotiations they are offering plan design changes, provider changes and wellness programs. But the state must be a partner in addressing these costs. AB 110 would help school boards get control of the rapidly escalating costs of health insurance.

Please support AB 110. Thank you.



AFSCME®

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To: Members of the Assembly Labor and Industry Committee

From: John Gabel and Susan McMurray

Re: AFSCME Opposition to Assembly Bill 110

Date: May 30, 2007

Currently, health care coverage plans are subject to collective bargaining under the Municipal Employees Relations Act (MERA). Assembly Bill 110 permits employers to abandon collectively bargained plans in favor of a state health care plan or one substantially similar. AFSCME encourages members of the Assembly Labor and Industry Committee to oppose AB 110 as it substantially alters this fair and equitable system for determining health care coverage for local public employees.

Among AFSCME's concerns is the removal of employee's voices in crafting health care coverage packages that best address their needs. While employers certainly have a responsibility to keep costs down, this must be balanced by ensuring that provided benefits reflect the priorities and needs of the employee. By removing the employee's involvement in this aspect of bargaining, employers will be making their health care coverage determination increasingly on cost considerations and decreasingly on how these plans respond to employee's health care needs.

Additionally, prior incarnations of this legislation from previous sessions contained language that would pass on any savings achieved by the employer to employees. While there were concerns over how that policy would have been implemented over the long term, it at least recognized the concessions public employees often make in wages in order to preserve benefit packages at the bargaining table. The absence of this language is of great concern, and only further undermines Wisconsin's strong tradition of collective bargaining.

Finally, this legislation does not address any identified problem with MERA. At issue is the ever rising cost of health insurance, an issue AFSCME continues to lobby the legislature to address. Amending MERA will not solve the health care crisis in Wisconsin. Passage of comprehensive health care reform, such as the AFL-CIO's Wisconsin Health Care Partnership Plan is the only way to curtail the increases in health care costs that have placed such a strain on state and local government in Wisconsin.

Given these problems and the negative impact that AB 110 would have on the collective bargaining process under MERA, AFSCME urges you to oppose AB 110 and vote against passage out of committee.

Thank you for your consideration, and please contact either of us (John at 608-279-9093 or Susan at 608-279-9697) if you have any questions.

in the public service

American Federation of State, County and Municipal Employees, AFL-CIO



THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
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1. The first part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atomic nucleus. It is shown that the structure of the nucleus is determined by the interaction of the nucleons, which are the particles that make up the nucleus. The interaction is described by the strong interaction, which is the most powerful of the four fundamental interactions. The strong interaction is responsible for the binding of the nucleons together in the nucleus. The structure of the nucleus is also determined by the Pauli exclusion principle, which states that no two nucleons can occupy the same quantum state. This principle leads to the formation of the shell structure of the nucleus, in which the nucleons are arranged in shells of increasing energy. The shell structure is responsible for the stability of the nucleus and for the existence of magic numbers, which are the numbers of nucleons that result in particularly stable nuclei. The second part of the paper is devoted to a discussion of the experimental methods used to study the structure of the nucleus. It is shown that the most important methods are the scattering of particles, the measurement of the magnetic moments of the nuclei, and the measurement of the electric moments of the nuclei. The scattering of particles is used to determine the size and shape of the nucleus. The measurement of the magnetic moments of the nuclei is used to determine the spin and parity of the nuclei. The measurement of the electric moments of the nuclei is used to determine the charge distribution of the nuclei. The third part of the paper is devoted to a discussion of the results of the experiments. It is shown that the results are in good agreement with the predictions of the theory. The structure of the nucleus is found to be determined by the interaction of the nucleons and the Pauli exclusion principle. The shell structure of the nucleus is found to be responsible for the stability of the nucleus and for the existence of magic numbers. The results of the experiments are also used to determine the size and shape of the nucleus, the spin and parity of the nuclei, and the charge distribution of the nuclei.

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To: Assembly Committee on Labor and Industry
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities
Date: May 30, 2007
Re: AB 110, Collective Bargaining on Health Insurance.

The League of Wisconsin Municipalities supports AB 110, relating to collective bargaining over health care coverage for municipal employees.

The bill provides municipalities with much needed flexibility regarding the selection of health insurance plans or plan providers in two ways:

- ◆ It prohibits municipal employers from bargaining over the selection of a health care coverage plan if the municipality offers to enroll its employees in the state's Group Insurance Board plan for local governments or a substantially similar plan.
- ◆ It allows any municipal employer to unilaterally change its employees' health care coverage plan provider if the benefits remain substantially the same and if either the actual providers of the health care remain the same or cost savings will result.

AB 110 recognizes that choosing a health insurance plan and/or plan provider is fundamentally a management decision. Municipalities need the freedom this bill provides to address health care cost increases by unilaterally choosing less expensive health plans containing substantially the same benefits.

We urge the Committee to recommend passage of this sensible bill.

Thanks for considering our comments.

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4/25/2007 12:28:01 PM

City seeks ways to cut health costs

Increase of 57 percent would decimate budget

Julian Emerson

Leader-Telegram Staff

City of Eau Claire employees could face higher medical insurance deductibles, co-payments and a mandatory wellness program involving a health coach as part of a revamped benefits program city officials are trying to negotiate in the face of a projected 57 percent cost increase.

Cost Drivers

The projected 57 percent jump in city of Eau Claire health insurance costs is due to a variety of factors, including:

- n A large number of high-cost cases.
- n Relatively high use of medical services.
- n A relatively high number of people on the plan ages 45 to 65 compared with other public sector groups.
- n A growing number of retirees covered by the city plan.

But it remains to be seen whether proposed changes the city and insurance providers are hashing out will happen. Any alterations to the policy must be negotiated with the city's seven bargaining units, and it's uncertain whether they'll agree to a reworking of the status quo.

"Ultimately, the bargaining groups are going to have to buy into any changes," council member Ray Hughes said during an insurance work session Tuesday.

Human Resources Director Dale Peters conceded possible changes and their monetary impact are subject to union negotiations. He and City Manager Mike Huggins have worked with insurance providers and union groups since the city learned earlier this month of the 57 percent increase.

"We understand that we're going to have to deal with this issue at the bargaining table," Peters said, adding union leaders initially have been willing to consider new approaches to the city's health insurance plan.

The 57 percent figure was the low bid among three submitted. City officials had budgeted for

a 20 percent increase compared with the current contract that expires June 30.

The projected increase would significantly hamper an already strapped budget, forcing \$750,000 in cuts from this year's budget and another \$2 million in 2008.

Huggins said the proposed increase isn't acceptable. The city is working with five insurance companies, including its current provider, Minneapolis-based Medica, to bring the increase closer to 20 percent.

Given discussions with those companies, a new health insurance plan could include significant changes to the current plan. Several council members backed that, saying the city needs to look at containing rising health care costs to stave off future employee and service reductions.

"Without that we're looking at job losses, and that means service cutbacks," council member Hal Davis said.

Council members also backed implementing a wellness program in an effort to control costs.

"The wellness aspect can be viewed as an intrusion by some people," council member David Klinkhammer said, "but the city needs to head in that direction."

What's Next

Eau Claire city officials have reopened health insurance negotiations in an attempt to reduce a projected 57 percent cost increase. The council is scheduled to approve the next health insurance contract May 8. The city's current contract expires June 30.